

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: June 29, 2018
TO: Members of the Senate
FROM: Ellen Jeffries, Director
RE: Summary of the FY 2018-19 Initial Appropriations

The House and Senate passed the General (Senate Bill 848) and Education (House Bill 5579) omnibus conference reports for the fiscal year (FY) 2018-19 State budget on June 12, 2018. The Governor signed Senate Bill 848 into law on June 21, 2018, as Public Act 207 of 2018, and House Bill 5579 was signed on June 28, 2018, as Public Act 265 of 2018. There were no vetoes in either bill. This memo provides a summary of the resulting FY 2018-19 initial appropriations.

The public acts for the General and Education omnibus budgets include FY 2018-19 initial Gross appropriations of \$56.8 billion and General Fund/General Purpose (GF/GP) appropriations of \$10.0 billion for State departments and budget areas. Both of the public acts also include FY 2017-18 supplemental appropriations for State budget areas totaling negative amounts of \$513.6 million Gross and \$28.5 million GF/GP, primarily due to May 2018 consensus revenue estimating conference caseload and cost adjustments, and a fund shift from GF/GP to the School Aid Fund. The FY 2018-19 initial Gross appropriations are \$264.1 million, or 0.5%, above the new FY 2017-18 year-to-date amount, while the GF/GP appropriations are \$210.0 million, or 2.1%, below the adjusted FY 2017-18 year-to-date amount.

Table 1 lists the FY 2018-19 Gross and GF/GP appropriation amounts by department or budget area, and presents the dollar and percent change from the adjusted FY 2017-18 year-to-date amounts. Included in Article XX of the General omnibus appropriation act are FY 2017-18 supplemental appropriations for Capital Outlay and State budget areas, as well as an additional \$115.0 million for the Budget Stabilization Fund. The Education omnibus appropriation act also includes FY 2017-18 supplemental appropriations for Higher Education and K-12. Table 2 summarizes the FY 2017-18 supplemental appropriations in both appropriation acts.

The General omnibus budget act includes \$1.3 billion for State revenue sharing payments to local units of government. This amount is a 1.6% increase over FY 2017-18. State revenue sharing is funded from State sales tax revenue, of which a portion is constitutionally earmarked, and a portion is discretionary. The May 2018 consensus revenue estimates recognized \$835.3 million for FY 2018-19 constitutional revenue sharing, which is an increase of \$21.5 million or 2.6% over the FY 2017-18 consensus-adjusted amount. The FY 2018-19 budget act provides \$479.1 million for discretionary or "statutory" revenue sharing, which includes an increase of \$116,000, or 0.05%, for cities, villages, and townships, and a \$1.0 million, or 0.5%, increase for counties.

The FY 2017-18 and FY 2018-19 GF/GP balance sheet is outlined in Table 3 and is based on the May 2018 consensus revenue estimate of \$10.5 billion for FY 2017-18 (which is \$155.9 million more than the January 2018 consensus estimate), and \$10.4 billion for FY 2018-19 (which is \$72.0 million more than the January 2018 consensus estimate). For FY 2018-19, ongoing discretionary State revenue sharing payments of \$466.0 million combined with one-time State revenue sharing payments of \$13.1 million, reduce GF/GP revenue by \$479.1 million. The FY 2018-19 balance sheet also assumes the redirection of \$6.3 million of lawsuit settlement proceeds revenue from the General Fund. Based on all of these assumptions and including the \$101.4 million estimated beginning balance, total FY 2018-19 estimated GF/GP revenue is \$10.0 billion.

On the expenditure side of the FY 2018-19 GF/GP balance sheet, the \$10.0 billion of initial appropriations represents a decrease of \$210.0 million or 2.1% below year-to-date FY 2017-18 GF/GP appropriations (excluding appropriations for the Budget Stabilization Fund). Comparing FY 2018-19 estimated GF/GP revenue to FY 2018-19 estimated GF/GP expenditures shows an FY 2018-19 projected year-end GF/GP balance of \$6.2 million.

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Table 1

FY 2018-19 Gross and GF/GP Appropriations						
Department/Budget Area	FY 2018-19	FY 2018-19	Gross Change from FY 18		GF/GP Chg from FY 18	
	Gross	GF/GP	Dollar	Percent	Dollar	Percent
Agriculture and Rural Development.....	\$107,948,100	\$58,585,200	(\$7,380,500)	(6.4%)	(\$7,916,600)	(11.9%)
Attorney General.....	103,648,900	41,206,800	(276,100)	(0.3%)	(1,041,800)	(2.5%)
Capital Outlay	0	0	(1,600)	(100.0%)	(1,600)	(100.0%)
Civil Rights	16,201,100	13,022,100	(48,500)	(0.3%)	15,500	0.1%
Community Colleges.....	408,215,500	0	8,889,000	2.2%	(1,025,000)	(100.0%)
Corrections.....	2,017,056,200	1,961,841,300	13,387,000	0.7%	13,457,700	0.7%
Education	400,815,000	86,183,700	34,029,900	9.3%	4,506,300	5.5%
Environmental Quality.....	447,502,600	73,746,500	(124,072,600)	(21.7%)	(7,405,000)	(9.1%)
Executive	6,980,100	6,980,100	131,600	1.9%	131,600	1.9%
Health and Human Services	24,880,165,600	4,460,087,300	24,826,300	0.1%	108,981,100	2.5%
Higher Education	1,669,732,600	1,046,017,900	40,508,200	2.5%	(233,236,600)	(18.2%)
Insurance and Financial Services.....	67,971,900	550,000	1,230,500	1.8%	400,000	266.7%
Judiciary.....	304,079,100	196,079,500	4,036,100	1.3%	3,505,100	1.8%
Legislative Auditor General.....	24,938,000	17,105,800	651,800	2.7%	498,200	3.0%
Legislature	158,112,500	153,318,200	2,837,700	1.8%	2,721,100	1.8%
Licensing and Regulatory Affairs	517,762,200	126,920,300	82,490,200	19.0%	82,503,700	185.7%
Military and Veterans Affairs.....	192,564,300	68,837,400	9,293,200	5.1%	2,503,200	3.8%
Natural Resources	438,442,800	49,081,800	15,700,600	3.7%	(15,439,300)	(23.9%)
Natural Resources-Trust Fund	0	0	(49,866,900)	(100.0%)	0	na
School Aid.....	14,765,468,800	60,000,000	82,798,000	0.6%	(18,500,000)	(23.6%)
State.....	246,662,800	18,466,300	(24,788,100)	(9.1%)	(5,808,100)	(23.9%)
State Police.....	716,459,500	459,047,800	(17,903,900)	(2.4%)	(12,953,900)	(2.7%)
Talent and Economic Development.....	1,115,295,600	141,095,800	(87,282,300)	(7.3%)	(87,159,700)	(38.2%)
Technology, Management, and Budget.	1,347,108,600	473,789,500	(87,152,800)	(6.1%)	(127,263,900)	(21.2%)
Transportation.....	4,843,089,900	300,000,000	284,001,900	6.2%	95,000,000	46.3%
Treasury-Debt Service.....	107,080,000	107,080,000	(500,000)	(0.5%)	(500,000)	(0.5%)
Treasury-Operations	562,928,500	102,381,300	38,100,300	7.3%	2,414,400	2.4%
Treasury-Revenue Sharing.....	1,314,405,300	0	20,476,700	1.6%	(8,379,200)	(100.0%)
Total Appropriations.....	\$56,780,635,500	\$10,021,424,600	\$264,115,700	0.5%	(\$209,992,800)	(2.1%)

Table 2

General Omnibus Appropriation Bill Senate Bill 848 (Public Act 207 of 2018) Article XX: FY 2017-18 Supplemental Appropriations		
Department/Budget Area	FY 2017-18 Gross Appropriation	FY 2017-18 GF/GP Appropriation
Agriculture and Rural Development	\$250,000	\$250,000
Attorney General	1,126,200	1,000,000
Capital Outlay	800	800
Corrections	1,750,000	1,750,000
Education.....	14,603,900	0
Environmental Quality	20,070,000	18,070,000
Health and Human Services.....	(681,378,100)	(29,425,200)
Licensing and Regulatory Affairs.....	600,000	0
Military and Veterans Affairs	3,766,700	3,766,700
Natural Resources.....	8,450,000	6,550,000
State	12,092,400	135,400
State Police	30,000,000	30,000,000
Talent and Economic Development	23,156,100	23,156,100
Technology, Management and Budget	21,618,200	21,198,200
Transportation	30,000,000	30,000,000
Treasury-Operations.....	1,898,500	1,598,500
Subtotal Article XX-Budget Areas	(\$511,995,300)	\$108,050,500
Budget Stabilization Fund Appropriation	\$115,000,000	\$115,000,000
Total FY 2017-18 General Omnibus Supplementals	(\$396,995,300)	\$223,050,500
Education Omnibus Appropriation Bill House Bill 5579 (Public Act 265 of 2018) FY 2017-18 Supplemental Appropriations		
Budget Area/Program	FY 2017-18 Gross Appropriation	FY 2017-18 GF/GP Appropriation
Higher Education		
State Competitive Scholarships (Sec.236f; Federal TANF)	\$6,000,000	\$0
Tuition Grants (Sec.236f; Federal TANF).....	(6,000,000)	0
Total Higher Education	\$0	\$0
School Aid		
Reduce Assessment Funding (Sec. 104; use in FY 2018-19).....	(\$5,000,000)	\$0
Consolidation Incentive Grants (Sec. 22g, funds lapsed in FY 2016-17)...	2,800,000	0
FIRST Robotics Increase (Sec. 99h).....	500,000	500,000
Berrien ISD CTE Planning Grant (Sec. 61e).....	250,000	0
Fund Shift: Replace GF/GP with SAF.....	0	(137,000,000)
Transfer \$850,000 from Court Placed to Strict Discipline Academies....	0	0
Other Cost Adjustments:		
Cash Flow Borrowing Costs (Sec. 11m).....	11,500,000	0
Foundation Allowance (Secs. 22a and 22b).....	(14,300,000)	0
Special Education (Sec. 51a).....	4,200,000	0
Renaissance Zone Costs (Sec. 26a).....	(2,000,000)	0
School Lunch (Sec. 31d).....	306,900	0
Promise Zone Costs (Sec. 26c).....	100,000	0
Total School Aid	(\$1,643,100)	(\$136,500,000)
Total FY 2017-18 Education Omnibus Supplementals	(\$1,643,100)	(\$136,500,000)

Table 3
General Fund/General Purpose (GF/GP)
Revenue, Expenditures, and Year-End Balance Estimates
(millions of dollars)

	FY 2017-18 Year-To-Date	FY 2018-19 Initial
Revenue:		
Beginning Balance	\$622.5	\$101.4
<u>Ongoing Revenue:</u>		
Consensus Revenue Estimate (January 2018)	\$10,307.7	\$10,339.6
Consensus Revenue Estimate Change	155.9	72.0
Consensus Revenue Estimate (May 2018)	\$10,463.6	\$10,411.6
<u>Other Revenue Adjustments:</u>		
Revenue Sharing Payments	(\$465.9)	(\$466.0)
Subtotal Ongoing Revenue	\$9,997.7	\$9,945.6
<u>Non-Ongoing Revenue:</u>		
One-Time Appropriation for Revenue Sharing	(\$5.8)	(\$13.1)
Redirection of Restricted Revenue (Lawsuit Settlement/DRF)	(6.7)	(6.3)
Sale of Scott Correctional Facility	3.4	0.0
Subtotal Non-Ongoing Revenue	(\$9.1)	(\$19.4)
Total Estimated GF/GP Revenue	\$10,611.2	\$10,027.6
Expenditures:		
<u>Ongoing Appropriations:</u>		
Initial Appropriations	\$9,784.4	\$9,611.3
Subtotal Ongoing Appropriations	\$9,784.4	\$9,611.3
<u>One-Time and Other Appropriations:</u>		
Estimated One-Time Appropriations	\$257.3	\$410.1
Appropriation to Budget Stabilization Fund: \$150m+\$115m	265.0	0.0
Enacted Supplementals (PAs 143, 158, 201 2017/PA 82 2018)	218.1	0.0
School Aid Fund Shift (PA 265 of 2018)	(136.5)	0.0
Enacted Supplementals (PA 207 of 2018)	177.2	0.0
Health and Human Services Caseload/Costs (PA 207 of 2018)	(69.1)	0.0
Assign Remaining Principal to School Bond Loan Fund	15.6	0.0
Lapse Prior Year DOE Work Project/TED Vets Grant	(2.2)	0.0
Subtotal One-Time and Other Appropriations	\$725.3	\$410.1
Total Estimated GF/GP Expenditures	\$10,509.8	\$10,021.4
PROJECTED YEAR-END GF/GP BALANCE	\$101.4	\$6.2

Table 4 provides the FY 2017-18 and FY 2018-19 School Aid Fund (SAF) balance sheet using the May 2018 consensus revenue estimate of \$13.2 billion for FY 2017-18 (which is \$159.5 million above the January 2018 consensus estimate), and \$13.6 billion for FY 2018-19 (which is \$110.4 million above the January 2018 consensus estimate). For FY 2017-18, there is a fund shift of \$136.5 million, reducing GF/GP support of the K-12 budget from \$215.0 million to \$78.5 million, and offsetting revenue and expenditures of \$100.0 million to reflect enactment of the Marshall Plan for Talent. For FY 2018-19, other SAF revenue adjustments include: a \$60.0 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund to pay the additional foundation allowance costs while the Detroit Public Schools' existing 18-mill property tax levy is diverted to pay off debt; \$31.9 million of revenue from the MPSERS Reforms Reserve Fund to pay the school costs related to MPSERS legislation; and \$1.7 billion of Federal aid. On the expenditure side of the FY 2018-19 SAF balance sheet, there are \$14.6 billion of ongoing K-12 appropriations, \$121.3 million of one-time K-12 appropriations, and appropriations of \$408.2 million and \$500.1 million for community colleges and universities, respectively. The \$500.1 million FY 2018-19 SAF appropriation for Higher Education represents an additional \$261.8 million fund shift from GF/GP to SAF, compared to FY 2017-18.

Comparing estimated FY 2018-19 SAF revenue to estimated FY 2018-19 SAF expenditures shows an FY 2018-19 projected year-end SAF balance of \$6.9 million.

Table 4

School Aid Fund (SAF)		
Revenue, Expenditures, and Year-End Balance Estimates		
(millions of dollars)		
	FY 2017-18	FY 2018-19
	Year-To-Date	Initial
Revenue:		
Beginning Balance	\$377.4	\$217.7
Ongoing Revenue:		
Consensus Revenue Estimate (January 2018)	\$13,084.5	\$13,464.0
Consensus Revenue Estimate Change	159.5	110.4
Consensus Revenue Estimate (May 2018)	\$13,244.0	\$13,574.4
Other Revenue Adjustments:		
General Fund/General Purpose (GF/GP) Grant	\$78.5	\$60.0
Community District Education Trust Fund	72.0	72.0
Federal Ongoing Aid	1,726.9	1,724.7
Subtotal Ongoing Revenue	\$15,121.4	\$15,431.1
Non-Ongoing Revenue:		
SAF Deposit into MPSERS Reserve Fund	(\$55.0)	\$0.0
Reserve Fund for MPSERS	23.1	31.9
Talent Investment Fund (PA 228 of 2018)	100.0	0.0
SAF Deposit into Mental Health Services and Support Fund	(30.0)	0.0
Subtotal Non-Ongoing Revenue	\$38.1	\$31.9
Total Estimated School Aid Fund Revenue.....	\$15,536.9	\$15,680.7
Expenditures:		
Ongoing Appropriations:		
Initial Ongoing K-12 Appropriations	\$14,266.5	\$14,644.2
Enacted Supplementals (PA 265 of 2018)	(1.6)	0.0
Fund Community Colleges with SAF	394.7	401.8
Partially Fund Higher Education with SAF	237.9	499.4
Subtotal Ongoing Appropriations	\$14,897.4	\$15,545.4
One-Time and Other Appropriations:		
Initial One-Time K-12 Appropriations	\$89.3	\$121.3
Initial One-Time Community Colleges Appropriations	3.6	6.4
Initial One-Time Higher Education Appropriations	0.4	0.7
Enacted Supplementals (PA 143 of 2017)	5.5	0.0
Marshall Plan for Talent (PA 227 of 2018)	100.0	0.0
MPSERS: PA 92 of 2017 Costs and Additional UAAL Payment	223.1	0.0
Subtotal One-Time and Other Appropriations	\$421.9	\$128.4
Total Estimated School Aid Fund Expenditures.....	\$15,319.3	\$15,673.8
PROJECTED YEAR-END SCHOOL AID FUND BALANCE.....	\$217.7	\$6.9

The Senate Fiscal Agency website (<http://www.senate.michigan.gov/sfa/>) includes detailed decision documents for each budget area, and the Agency will publish a comprehensive report on the initial FY 2018-19 appropriations soon. In the meantime, if you have any questions, please contact me at 373-5300 or jeffries@senate.michigan.gov.

/lms

c: Tom Davis, Senate Majority Policy Office
David Ettinger, Senate Democratic Office
Senate Fiscal Agency Fiscal Analysts